



North American
Development Bank

Border Environment Infrastructure Fund

UNITED STATES

MEXICO

Faced with the high cost of infrastructure projects, reductions in state and federal subsidy programs, and limited economic bases, many communities find it difficult to meet the basic environmental infrastructure needs of local residents.

Recognizing these challenges, the governments of the United States and Mexico created the North American Development Bank (NADB) to provide financial assistance to address environmental infrastructure issues along the border between the two countries.

In an effort to make projects affordable, especially for the smallest and poorest communities, the NADB established the Border Environment Infrastructure Fund (BEIF). This fund is designed to receive and administer grants from other institutions that can be combined with loans and guaranties to facilitate project financing.

The United States Environmental Protection Agency (EPA) has made grant contributions for use in water and wastewater projects. This brochure outlines the eligibility criteria and potential uses for EPA funds administered through the BEIF.



Objective

The purpose of the BEIF is to make environmental infrastructure projects affordable for communities throughout the U.S.-Mexico border region by combining grant funds with loans or guaranties for projects that would otherwise be financially unfeasible.

A primary objective of the BEIF is to assist communities in the transition from highly subsidized projects to self-sustaining projects supported locally by user fees and other revenue. As a result, to access BEIF funds, projects sponsors must demonstrate local “buy-in” with the commitment of current revenues, capital reserves and/or debt at the municipal or utility level.

Eligibility

Only water and wastewater infrastructure projects located within 100 kilometers (62 miles) of the U.S.-Mexico border will be considered for funding. Eligibility is based on a set of project selection criteria, as well as an assessment of a community’s financial need.

Project Selection Criteria

- ◆ Projects must address an existing human health and/or ecological need.
- ◆ Projects may be located in either Mexico or the United States, but must have a U.S.-side benefit.
- ◆ Only municipal infrastructure projects will be considered.
- ◆ Projects must be certified by the Border Environment Cooperation Commission (BECC).
- ◆ Projects must include adequate operations and maintenance provisions.
- ◆ For potable water projects, only water treatment plants and treated water distribution systems will be considered.

- ◆ Wastewater projects where treated water is discharged directly or indirectly into U.S.-side waters must target achievement of U.S. norms for ambient water quality. However, compliance may be phased in over time.

Priority will be given to projects with maximum funding from other sources and where BEIF funding is necessary to complete project financing. Preference will also be given to projects likely to have the most impact and ultimately benefit both sides of the border.

Assessment of Financial Need

BEIF funds are targeted at communities that could not otherwise afford to develop and execute necessary infrastructure. For each project, the NADB performs an analysis of the community's need for grant funds, its capacity to assume debt and, most importantly, the ability of its residents to afford the costs associated with the project and the system as a whole. Taking these factors into consideration, the NADB structures a financial package that ensures completion of a functional system at an affordable cost to the community. The amount of each award is based on this analysis and the availability of other sources of funding.

Uses of Funds

BEIF resources may be used in two ways to support the development of projects:

- ◆ Transition assistance is designed to ease a community's adjustment to higher user fees over time. Grant funds are used to help pay system debt over a five to seven year period, so that user fees may be gradually raised to the level required for the system to become self-sustaining with proper operations and maintenance. Transition assistance may be applied to debt service and start-up costs.
- ◆ Construction assistance is designed to complete a financial package by covering construction costs not funded by other sources. Grant funds may be used to cover any and all construction costs, including residential hook-ups and construction management.

Construction assistance will be considered when transition assistance is inappropriate for a particular community or financial package, or is insufficient to bring user fees to an affordable level. In many cases, a mix of transition assistance and construction assistance may be the most appropriate solution to a community's needs.

BEIF funds may be used to support projects that serve a single community or regional approaches that serve multiple communities and/or outlying areas.

Operations

To apply for BEIF funds, communities must begin the BECC certification process and submit a letter application to the NADB that provides the project name, estimated project cost and amount of BEIF assistance requested.

Each community is then assigned a project manager who serves as the community's lead financial agent for all matters pertaining to funding for the project. Working closely with community leaders and project sponsors, the project manager will formulate a financing proposal that includes BEIF funds, based on the financial analysis and the availability of other funds.

In formulating the financial proposal, the Bank will coordinate with its financial partners, as well as state and local authorities involved in identifying local priorities and infrastructure planning. In particular, for projects located in Mexico, the NADB will consult closely with Mexico's *Comisión Nacional del Agua (CNA)* prior to finalizing any financing proposal. All BEIF financing proposals prepared by the NADB are subject to final EPA approval.

Project sponsors will be responsible for the procurement of all goods and services related to the project. However, procurement of goods and services with BEIF funds must be carried out in compliance with NADB Procurement Policies and Procedures, in a manner providing full and open competition.

Complementary Programs

NADB offers several other assistance programs for water, wastewater and sanitation utilities:

- ◆ **NADB Loan and Guaranty Program.** Through this program, direct financing is provided in the form of loans or guaranties for construction of BECC-certified environmental infrastructure projects.
- ◆ **Institutional Development Cooperation Program (IDP).** This grant program provides technical assistance through studies aimed at enhancing the financial performance and managerial efficiency of public utilities.
- ◆ **Utility Management Institute (UMI).** This IDP-funded program provides utility managers and their staff with an opportunity for ongoing professional development aimed at enhancing many of the managerial and financial skills necessary to operate a successful utility.
- ◆ **Solid Waste Environment Program (SWEP).** This pilot program provides financial support for the construction of sustainable systems and facilities for the management and final disposal of municipal solid waste.

Additional Information

For more information about these programs or other NADB activities, contact us at the addresses below:

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